BUDGET SPEECH
1970-71

Thiru K. A. Mathialagan
Minister for Finance

26th February 1970

Speech of Thiru K. A. Mathialagan, Finance Minister, presenting the Budget for 1970–71 to the Legislative Assembly of Tamil Nadu on 26th February 1970.

Sir,

Introduction.

I rise to present the Budget Estimates for 1970–71. The Revised Estimates for 1969–70 and the Accounts for 1968–69 have also been placed before the House. The Detailed Budget Memorandum explains the broad features of the variations between the Budget Estimates, 1969–70 and the Revised Estimates, 1969–70, as also between the Revised Estimates, 1968–69 and the Accounts for that year.

2. The presentation of the budget has become an occasion for reappraisal of the economic performance of Government during the previous years and for approving its policies for the future. It has therefore ceased to be a mere catalogue of financial accounts and a compendium of appropriations. The budget has become an opportunity for the Government and the people to rededicate themselves to the promotion of the welfare of the people. It is against this background that I propose to review the achievements of this Government over the last three years and spell out in some detail the programme we have drawn up for the coming years.

Imbalance in distribution of powers between Centre and States.

3. At the very outset, I should emphasise that in the task of development the efforts of the State Government are considerably fettered by the fact that most of the major decisions of policy in economic matters are taken at New Delhi and Bombay. The General Elections in 1967 marked a watershed in the development of the Indian federal set-up. A number of Governments in the States emerged with political complexions different from that of the Centre. As a result, the constitutional framework has been subjected to increasing stresses and strains. The inherent weaknesses of the present system have come to the surface, particularly in recent months. The power to raise resources vests predominantly with the Government at the Centre. The Centre has also been assigned the power to decide upon matters relating to the allocation of resources among the States and for the various projects. The important determinants of economic policy in a modern society which have a bearing on the production apparatus of the State are banking, currency and fiscal policy and these are controlled wholly by the Government of India. The power to levy important taxes, to vary interest rates, to adjust the exchange value of our currency—all these powers are concentrated in the Government of India. It is therefore no accident that very often, the Government of the State is faced with unfortunate consequences of decisions taken by the Centre. This divorce between power and responsibility has been the bane of our federal economic and political system. The recent recession in the country was brought about by monetary and fiscal policies, which reduced effective demand in the country and thus led to a vicious spiral of one industry after another grinding to a halt. At a time at which the country could have gone ahead based on abundance of food production, the economy actually stalled. The

textile industry found itself in doldrums, while engineering industries were starved of orders. The pause in planning aggravated the situation further by reducing the level of public investment. The State Governments were not consulted in respect of any of these crucial decisions. Again, in the arena of price policy, most of the decisions of the Centre are made without regard to circumstances obtaining in various States. The price situation in the country reflects in a large measure the overall demand and supply. In respect of demand, the Central Government's monetary policy is an important determinant. As regards supply, an imaginative policy decision by the Centre to import crucial raw materials such as steel, cotton, staple fibre and the like at the right time could have stemmed many speculative trends. The State Government has been kept in the dark in regard to the rationale behind policies that are adopted at the Centre from time to time.

4. It is against this backdrop that our State has been pleading for closer association of the State Government with the Centre in matters relating to national economic policies. By this, we do not merely refer to the discontinuous spurts in which the National Development Council meets and disperses after a day or two of desultory discussions. We believe that areas like banking, fiscal policy and trade should be dealt with by Federal Economic Planning Councils. The setting up of such councils has been visualised in Article 263 of the Constitution. We hope that the Commission on Centre-State Relations, which we have appointed will go into this serious lacuna in the present federal set up and make recommendations for the reorientation of the management of the economy on a rational basis.

Centralisation of economic decision making.

5. While on the subject of economic decision making and its centralisation, may I also draw the attention of Honourable Members to the unintended consequence of the recent nationalisation of banks which has contributed further to the process of centralisation of economic powers. While as a State Government, we welcomed the nationalisation of banking, as a step towards socialism, we also pointed out that caution should be exercised to prevent the nationalised banks from becoming bureaucratised and centralised. We were apprehensive that the initiative and enterprise shown by the managements of some of the banks would be stifled by overcentralisation. We are afraid that these fears are turning out to be real. The flexibility and responsiveness to local needs which was provided under social control, should be strengthened, rather than abated under the new system. I wish to earnestly reiterate the suggestion made by this Government earlier that the management of the banks must reflect the local aspirations and the diverse interests which arise in various areas. These problems should not be looked at in a bureaucratic or rigidly uniform manner. It is only by allowing local initiative to flourish that a new pattern of socialised banking can emerge. Linkages between the bank management and the needs of the area in which they function can best be realised, if representation is given to State Governments also on the regional boards of various nationalised banks. It is also imperative that the managements should be allowed to freely innovate for the acceleration of agricultural production and the development of local industries.

6. I must also take this opportunity to express the views of the State Government in respect of the present

industrial policy followed by the Centre. Our State Government is of the view that before decisions are taken on such vital matters, we should be consulted. We have been repeatedly pleading for liberalisation of the procedures being adopted for licensing. Certain welcome changes have been announced recently. Our experience has been that where licences are needed, cumbersome procedures are still being adopted. Even where industries have been removed from the banned list, hurdles are placed in the path of entrepreneurs by a system of various minor clearances. I hope the Central Government will see their way to decentralise some of these powers and leave it to the State Governments to process such applications and give general clearance. It may be necessary and worthwhile for the Central Government to allocate small sums of foreign exchange either to State financial institutions or to State Governments so that the delays involved in releasing foreign exchange can to some extent be eliminated. The State Government feels that the time has come to radically reorganise the system, so that decisions can be taken quicker and made more responsive to the requirements of various local industries. The State Government are vitally concerned about this, because of the general atmosphere of frustration which has arisen as a result of inordinate delays, leading towards a decline of entreprenurial interest in investment.

Centre-State financial relations.

7. I would like to turn to some important considerations in Centre-State financial relations which have dominated the Indian economic landscape in recent times. Perhaps the most important development in the current year has been the publication of the award of the Fifth Finance Commission. I have already given expression in this House to the feeling of dismay and dissatisfaction of the State on this

manifestly unfair award. In the total pool of resources set apart for the States, our share has decreased from 7·2 per cent to 6·9 per cent. This has happened primarily because of weightage given to certain debatable criteria of backwardness. Our share of income-tax has declined from 8·34 per cent to 8·18 per cent. In relation to Union excise duties, it has dwindled from 7·18 per cent to 6·5 per cent, while for additional excise duties it has fallen from 11 per cent to 9·63 per cent. On top of this, the deficit grant for the five years 1969—1974 has been slashed from Rs 34 crores to Rs 23 crores. This is all the more surprising considering the fact that the Finance Commission has liberally endowed States such as Bihar, Uttar Pradesh, Gujarat, Punjab, Haryana, Madhya Pradesh and Maharashtra with surpluses of nearly Rs 1,300 crores. Our reading of the Tyagi report shows that our legitimate plea for covering the genuine commitments in regard to improvement of the emoluments of our employees has not been met by the award. On the one hand the prudence with which the State has managed its finances has led to estimates of expenditure being fixed at an unrealistically low level by the Commission. On the other hand, the tax efforts of the State have led to our revenues being forecast at an unduly high level. We have therefore been placed at a double handicap. We have represented this fact repeatedly to the Central Government and have pointed out that if certain States alone receive the additional devolution of resources while States like Tamil Nadu are left out, a sense of unfairness and injustice will continue to prevail.

Mounting burden of State's debt to Centre.

8. Another symptom of the highly unsatisfactory basis on which Centre-State relations have developed is reflected in the mounting burden of the State's

indebtedness to the Centre. This is eloquently borne out by the fact that while loans to the tune of Rs 140 crores have been offered during the Fourth Plan period by the Centre to our State, our repayments to the Centre will be of the order of Rs 160 crores. In this context, we have repeatedly requested the Government of India for rescheduling our debts to the Centre. The Centre is reported to have taken a decision to reschedule debts of certain States to the extent of Rs 800 crores. Even under the patently unfavourable formula for distribution of Central assistance now in vogue, this amount of Rs 800 crores if it had been added to the pool of Central assistance, would have given Tamil Nadu, additional resources of at least Rs 50 crores for the Fourth Plan. We have therefore requested the Central Government for rescheduling of debts to the tune of Rs 50 crores. Our plea to the Centre for rescheduling has been on the legitimate ground that some of the loans we received during the Second and Third Plans were primarily spent on projects with long gestation such as irrigation and power schemes. The loans taken for these projects have become due for repayment within a period of ten years. Our suggestion has therefore been that the period of repayment of these loans should be readjusted to 20–25 years so as to be in alignment with the purposes for which they have been utilised.

Setting up of a Federal Debt Commission.

9. The flow of resources from the Centre to the State serves only partly to finance the Plan. A substantial part of the resources endowed to the States goes towards repayment of the debts to the Centre. It would be necessary to review the position of indebtedness of various States and settle the pattern of rescheduling on a rational basis, instead

of the present *ad hoc* approach. Debts are raised by the States both from the market and the Central Government for purposes of meeting capital expenditure. Some of the loans extended to the State Governments are financed from out of the loans received by the Centre from the World Bank at nominal rates of interest and soft terms of repayment extending over 40 to 50 years. The procedure by which such loans are relent to States at high rates of interest and made repayable within shorter periods of time is by no means an equitable arrangement. Again, it is necessary to relate the pattern of repayment to the purposes for which the loans are used. For instance, if the loan is used to build up infrastructure in the State, it is hardly realistic to insist on repayment within a short period. I would therefore reiterate that the time has come for the Central Government to appoint a Federal Debt Commission to look into the entire question with a view to rationalise the pattern of lendings and of repayments.

Fourth Plan: Investments in Tamil Nadu.

10. I now turn to some important aspects which have to be borne in mind while considering the size of the plan investments in Tamil Nadu during the Fourth Plan period. The Plan for the country as a whole is nearly Rs 24,000 crores on the three sectors—State, Central and Private. The State's own plan of Rs 624 crores which we had submitted to the Planning Commission represents only schemes which are the direct responsibility of the State. Over and above these, we have pressed with the Government of India for the inclusion of the Salem Steel Plant in the Central sector. We have also demanded that the Sethusamudram project, the second mine cut at Neyveli and the second stage of Kalpakkam should also find a place in the Central Plan. As the House is aware, the Sethusamudram

Mounting burden (State's de to Centre,

project, which will cost roughly Rs 30 crores, will enable the coastal steamers in particular to shorten distances from the west to the east coast of our country. It will also help in activating Tuticorin Harbour, where modernisation is going apace. It would give employment and new activity in a region which has been traditionally underdeveloped. I need not dwell at greater length on the various details of this very vital project. Turning to the second mine cut at Neyveli, I should point out that it takes 4 to 5 years for a mine cut to be fully operative. The present established capacity of Neyveli is only 5·5 million tonnes of lignite which is not even sufficient for its present requirements. It is therefore obvious that work on the second mine cut should start immediately. And as for Kalpakkam, I need hardly reiterate that unless the capacity is raised to 400 megawatts, our State will be faced with a serious power shortage towards the end of the Fourth Plan period.

11. For over a decade, the State Government has been pleading with the Government of India for authorising a start on the Salem Steel project. It is an irony of history that this project is a subject on which we still have to demand a decision from the Centre. The project has been gone into thoroughly by several teams of experts, both foreign and Indian, and certified to be viable and feasible. The detailed project report commissioned by the Government of India is also available. If any project for the production of steel is ready today for implementation in the sense that detailed preliminary work has been completed, it is the Salem Steel Project. I would like to refer at this stage in particular to the special efforts taken by this Government to see that this project is brought into Salem Steel Plant.

commission very soon. From the time of the late revered Chief Minister Anna, a series of representations have been made to the Government of India. The then Union Minister for Steel and Heavy Engineering, Thiru Poonacha also visited Madras to discuss with us about the various aspects of this project. Our Chief Minister has also represented this matter frequently to the Prime Minister and even last week took up this matter during his discussions at New Delhi. I express the hope that as a result of these efforts, the Government of India will announce a favourable decision expeditiously to initiate action on this long awaited project.

Size of State's Fourth Plan.

12. So far as the State sector of the Plan is concerned, we have made our position abundantly clear to the Government of India and the Planning Commission. Even in the Draft Fourth Plan under consideration in 1966, our State had been allotted a plan of Rs 564 crores. Surely in 1970 it is not possible for us to be satisfied with a plan of Rs 502 crores, a figure lower than that indicated in 1966. We have therefore pressed for a minimal plan of Rs 575 crores, without which the pace of development of Tamil Nadu will suffer a serious setback. I should also refer to the summary decrease in the Central assistance from Rs 250 crores offered for the earlier Fourth Plan to Rs 202 crores now indicated for the new Fourth Plan. We have pointed out to the Prime Minister that it will be unfair to reduce Central assistance to a level below that offered earlier merely on the basis of an arithmetical formula. With progress of time the demands on our resources have increased and in this context, the reduction of Central assistance from Rs 250 crores to Rs 202 crores is so patently unfair that I need hardly dwell any further on this subject.

13. I shall now refer in some detail to the progress we have registered in the various fields of development over the last three years and the programmes we have in view for the current year and the next. In the field of agriculture, the State had faced intense drought during the last two years with consequent reduction in the production levels and employment potential in various areas. For two consecutive years, the rainfall in the State was well below normal. In 1968, there was only 742 m.m. of rainfall against the normal figure of 920 m.m. This continued failure of the rains led to difficulty in starting cultivation in the beginning of 1969. Again, in the first half of 1969 the rains failed. The Governor in his address in January 1970 has already referred to the tremendous challenge we faced as a result of adverse seasonal conditions. The bold and imaginative manner in which this Government undertook to turn the handicap of drought into an opportunity for doing good to the people, is one of its greatest achievements. We gave work to 8 lakh men and women during this period. We desilted 13,400 minor irrigation works, small and big tanks and channels. We also undertook 5,500 road works and 683 soil conservation works. At one time at the height of the drought relief programme, there were as many as 40,600 works in progress all over the State. Even more significant is the boost we gave to the drinking water-supply programme in the drought affected areas as a result of which 34,265 wells were sunk at a cost of Rs 5·88 crores. I need not refer in greater detail to this since this was touched on fully by the Honourable Chief Minister only last month during his reply to the debate on the Governor's address. I need only point out that the drought that hit this State was a challenge to the administrative and political courage and sagacity of this Government and

Achievements and Programmes.

I claim that we met this challenge successfully. I take this opportunity to correct the impression that has unfortunately been spread that there has been some special favour done to the State by the Government of India in regard to the assistance for drought to this State. The Chief Minister has pointed out in his reply to the debate on the Governor's address that the amount of assistance that was released to the State was based purely on the recommendations of the Central expert team and that there was no question of favouritism to this State. It is unfortunate that a contrary impression is being created by interested political groups, that this State has been assisted at the expense of certain northern States. This impression could lead to Tamil Nadu's legitimate claims being jeopardised.

14. It is but appropriate for me to refer at this stage to certain recent reports regarding failure of rains in certain parts of Ramanathapuram, Madurai and Tirunelveli. On behalf of Government I assure the House that all necessary steps will be taken to combat the drought conditions.

Agriculture.

15. Agricultural production suffered a setback during recent years because of the drought. Even so, the total production of food-grains in the last three years has increased from 57·9 lakh tonnes in 1966–67 to 63·0 lakh tonnes in 1969–70. The green revolution ushered in by the present Government involves a marriage of modern technology with the traditional agricultural practices. It is heartening to find that this is proceeding most satisfactorily. The coverage under the high-yielding varieties programme which is the main plank of our efforts for increasing food production was stepped up from 5·27 lakh acres in 1966–67 to

nearly 17·08 lakh acres in 1968–69. During the current year, we expect to cover nearly 24 lakh acres. We expect to cover half the area under paddy in the State with high-yielding varieties in the next year. Under I.R-8, we hope to cover 7·0 lakh acres during the current year whereas in 1966–67 no area had been covered by this variety. We expect to be able to saturate even larger areas with I R-8 and its derivatives during the coming Swarnawari and Kuruvai seasons. The Budget for 1970–71 provides for the extension of the Intensive Agricultural Area Programme to Tiruchirappalli district. Our Agriculture Department has also undertaken the implementation of quality control of seeds and has made a beginning with a programme of certification of seeds. Seed Processing Units will be established at Kudimiamalai and Sakkottai next year while a Seed Testing Laboratory will be opened at Madurai and two soil testing laboratories will commence functioning at Paramakudi and Tiruchirappalli in 1970–71. The offtake of nitrogenous fertilisers has risen from 85,000 tonnes in 1966–67 to 133,000 tonnes in 1969–70. The spread of the high-yielding varieties programme involves a corresponding increase in the scale of utilisation of pesticides and sprayers. Starting from 28,000 acres of aerial spraying in 1966–67, we expect to cover nearly 2 lakh acres in the current year, and we have targeted for a coverage of 10 lakh acres in 1970–71. While we have laid considerable emphasis on the production of foodgrains, we have at the same time recognised that unless the production of crops in the State is diversified, it will not be possible to substantially augment individual agricultural incomes. We have therefore taken up a number of programmes to step up production of commercial crops in the State. The area under cotton

is expected to rise from 7·73 lakh acres in 1966–67 to 9·5 lakh acres during the next year while that under sugarcane has also registered a growth from 2·22 lakh acres in 1966–67 to 2·51 lakh acres in the current year. Incidentally in this context I may mention here that we have decided to set up two Co-operative Sugar Factories at Ambalur and Brahmapuram.

Agricultural University.

16. Scientific management of agriculture is the key to increased incomes to our farmers. This involves a concentrated effort on research and extension. This Government believe that the objective of promoting research and extension can be best achieved through the establishment of an agricultural university. Accordingly we have made provision for the setting up of an Agricultural University at Coimbatore.

Plantation Development Corporation.

17. Another important decision of Government relates to the establishment of a Plantation Development Corporation. This Corporation which will have a capital of Rs 10 crores will develop the lands in Gudalur and help to rehabilitate repatriates from Ceylon. Details regarding this Corporation are being worked out and we have sought the approval of the Legislature for this through a token provision.

Credit for Agriculture.

18. Lack of adequate finance for agriculture has been the main impediment to the modernisation of our farms. Till our Government took over, the emphasis was on stretching the limited resources of Government for this purpose. We have subsequently entered into a series of arrangements for securing institutional finance for the needs of our agriculturists. In the field of co-operative finance alone, as against Rs 31·44 crores distributed as short and medium term loan in 1966–67, the amount distributed in 1968–69 increased

to Rs 44·12 crores and is expected to rise further to Rs 62·50 crores in the current year. The long term credit issued by the Land Development Banks whose number has increased from 105 to 166, has increased from Rs 4·27 crores in 1966–67 to Rs 14·67 crores in 1968–69 and is expected to touch over Rs 16 crores in 1970–71. Over and above this, the commercial banks have been brought into the field of agricultural finance. An experiment was tried in various districts of the State in the current year by which under the guarantee of the State Government, the banks have come forward to lend nearly Rs 80 lakhs for agriculturists. The third source of institutional finance which we have utilised is the Agro-Industries Corporation through which we have lent money for the purchase of pumpsets and tractors on hire-purchase basis to the extent of Rs 1,21 lakhs in 1968–69 and Rs 1,27 lakhs in the current year. As against 209 tractors distributed in the year 1966–67 we have during the past three years, distributed 1,368 tractors to progressive farmers in the State. Pumpsets energised in the villages were only 2·9 lakhs in all the previous Plan periods while during the last three years we have energised 1·7 lakh pumpsets, which reflects an increase of nearly 60 per cent over the level in 1966–67. We have also drawn up a programme at an overall cost of Rs 72 crores for sinking of 25,500 wells, 13,200 tube-wells and 15,000 filter-points and the installation of 34,600 pumpsets and distribution of 3,000 tractors. This project report is now being scrutinised by the Agricultural Refinance Corporation. We hope that the clearance for this project, which will increase the total production of food crops in the State by 3·89 lakh tonnes and the production of cash crops by 2·58 lakh tonnes, will be signified early by the Agricultural Refinance Corporation. Funds will be provided by the State

Government to the extent needed to support debentures to be issued by the Land Development Banks for this purpose.

Food Policy. 19. Honourable Members are aware of the very difficult food situation obtaining in the State when we assumed office in March 1967. The stocks at the command of Government had dwindled and the public distribution system, particularly in Madras City, had almost totally failed. There was hardly a few days' rice supply in the city. Having regard to the circumstances, we decided to continue controls and organised an efficient public distribution system in the State. During the past three years, we have been able to procure over 24 lakh tonnes of rice and through the stocks so built up we were able to cater efficiently not only to the needs of the one-rupee-a-measure scheme but also to the various areas covered by informal rationing. But even when we assumed office, we had indicated that we would lose no time in removing controls, the moment we were satisfied that they were no longer needed. We were able to take a bold decision last month to relax controls. We have at the same time continued our ameliorative measure of providing rice at one-rupee-a-measure to the weaker sections of society. Honourable Members will recognise that decontrol has become a reality only on account of the breakthrough that we have been able to achieve on the food front.

Animal Husbandry. 20. Turning now to Animal Husbandry, the current year witnessed the reorganisation of the Animal Husbandry Department on a regional basis instead of on a functional basis with a view to achieve greater decentralisation, cohesion and uniformity of control over the various units and activities of this department. Consequent on reorganisation,

we now have an integrated and co-ordinated approach to veterinary services on a decentralised basis. As a result, the benefits of veterinary services have been extended to cover all villages in a more organised manner. Steps have also been taken to close down units which were found to be economically not viable and to streamline the procedures in the remaining units so as to enable them to function as viable units. These developments, together with the creation of a separate department of Veterinary Education, augur well for the future growth and development of veterinary education, research and animal husbandry.

21. Turning to Dairy Development, I may point out that the Madras Dairy and Milk Project continues to make good progress. We have taken steps to establish a second dairy in South Madras near Guindy to meet the need for increased production and distribution of milk in Madras City. A milk powder plant is also proposed to be established at Madurai to convert the surplus milk in the flush season into milk powder. However, it is not possible to meet the entire requirements of the City from rural collections. Government have taken steps to formulate in consultation with the National Dairy Development Board a scheme to stimulate milk marketing and dairy development in and around Madras City. Skim milk powder and butter oil to be donated by the various donor countries through the World Food Programme will be supplied to Madras City. Reconstituted milk produced from this will be distributed through the Madras Dairy Projects. Proceeds from the sale of milk powder will be used to build up a Revolving Fund from which we will get a Dairy Development.

share. This fund will be utilised to improve the quality of cattle population in the State with a view to increasing the availability of milk.

Fisheries.

22. Under Fisheries, we have so far distributed 382 mechanised boats throughout the State during the past three years. During the next year, we propose to distribute 225 mechanised boats. The massive programme which we are implementing for the mechanisation of boats in turn calls for improvements to the landing and berthing facilities. It is with this view that work is now apace on the construction of fishing harbours at Tuticorin and Royapuram. Both these projects are likely to be completed by 1971–72.

Irrigation.

23. The Irrigation programmes of the State have been given a thorough reappraisal. Modernisation of the existing irrigation systems has been accorded high priority so that available supply of water may reach the largest number of farmers. Pride of place in this programme goes to the project for improvement of channels and drainage in the Cauvery Delta. A project report envisaging an outlay of Rs 45 crores has been prepared and appraised by a special Mission sent by the World Bank. We understand that this will be given early approval. As the House is aware, the irrigation system in the old delta of Cauvery is a very antiquated one. The project report we have prepared allows for the lining of channels, provision of sluices and regulators and the fuller exploitation of underground water resources through a system of tubewells and filterpoints. It is also proposed to assist the farmers to shape their fields to enable drainage on a scientific basis. The periodic floods which affect the fields in Thanjavur will be controlled

through modern methods. The much needed improvements to Grand Anicut and Lower Anicut are also proposed to be taken up under this programme. The construction of modern storage godowns and the linking of the main marketing centres with the farms are the other features of the programme which we have drawn up. Along with this, it is hoped that there will be an adequate increase in credit facilities for the farmers in Thanjavur district. The improvements of drainage facilities in the tail end areas are expected to substantially augment the yield of paddy and commercial crops. The primary objective of this project is to ensure that the existing water is utilised as efficiently as possible, so as to enable a substantial increase in the extent of double crop area.

24. Equally important is the need to fully exploit the massive irrigation potential of projects such as Parambikulam-Aliyar. After we took office, we have renewed and redoubled our efforts to arrive at an understanding with Kerala in this regard. As the House is aware, the Chief Ministers of Kerala and Tamil Nadu had a meeting at which they arrived at an agreement. Details are now being worked out by the officers. I am hopeful that a final and friendly settlement will be reached on this shortly. We have made a provision of nearly Rs 5 crores for major irrigation schemes in our State in next year's Budget of which Rs 2·7 crores relates to the Parambikulam-Aliyar Project. Two important projects, Chittarpattanamkal and Manimuktha Nadhi, are expected to be completed during the course of next year. Besides we have set apart over Rs 50 lakhs for enabling an effective start to be made on the various new Irrigation Schemes which we have included in the Fourth Plan.

Power Programmes.

25. We now turn to Power programmes. During the last two years we have extended electrification to 6,705 villages and we hope to connect 4,160 more villages by March 1970. By the end of 1970–71, we would have electrified 42,387 villages and hamlets as against 25,022 at the beginning of 1967–68. We are planning to bring power to all villages and hamlets in the State within as short a period as possible. This decision of ours is reflected in the large outlay we have made, of Rs 21·5 crores for rural electrification programmes in the Budget Estimates, 1970–71 which has to be viewed against the level of expenditure of Rs 8·26 crores during the year 1966–67. In the current year, street lighting will be provided for 5,857 villages, while in the next year our target is 8,514 villages. While the dispersal of power facilities throughout the State is important, equally so is the building up of adequate generation capacity in our grid. Our installed capacity including Neyveli at present is 1570 megawatts and we expect to increase this to 1720 megawatts by the end of the current year and 2295 megawatts by the end of 1970–71. The additional capacity created during the current year would be Aliyar Power House (60 megawatts), Madras Plant Extension Fourth Stage (30 megawatts) and Ennore (60 megawatts). During the year 1970–71, the additions will be Solayar Power House-I (70 megawatts), Solayar Power House-II (25 megawatts), Kodayar First Power House (60 megawatts), Kodayar Second Power House (40 megawatts), Neyveli (100 megawatts) and Ennore (280 megawatts).

Industrial Development.

26. During the last three years the impact of the general recession n the Indian economy led to a marked reluctance on the part of entrepreneurs throughout the country to start new industries. Despite this, we, in this State, were able to interest

a large number of enterprising business-men in new projects. The total number of registered factories in the State increased from 6,993 at the end of 1966 to 7,394 at the end of 1968. We have initiated work on a joint sector fertiliser project at a cost of Rs 52 crores at Tuticorin. Another project on the anvil is the Rs 5 crores Nagpal Petro-Chemical Refining Project. It will utilise the products of Madras Refinery which came on stream during the current year. Work on the Madras Fertilisers project is going on apace. In the private sector, a new project to manufacture plastics, resins and chemicals is being set up at Tuticorin.

27. Apart from this, Government have prepared a feasibility study for the Petro-Chemical complex at Madras. We have entered into discussions with the Government of India to ensure that this project fructifies as soon as possible. This would give employment to a large number of educated men and women. We have impressed on the Government of India the need to take this up expeditiously. This project involves an investment of Rs 90 to 100 crores. Pending a final decision on this, we hope that Government of India will authorise a start on a number of medium projects in the Petro-Chemical field, such as a nylon plant, a tyre-cord plant and a plant to manufacture carbon-black.

28. The Tamil Nadu Industrial Development Corporation will be taking action to open the first mine cut at Kanjamalai which would be the first stage in the implementation of the Salem Steel Plant. The Corporation is also establishing a Concast Plant at Arkonam and the Cement Factory at Alangulam and is actively pursuing proposals for the setting up of a

Machine Tool Project, a sponge-Iron Plant, a plant for production of Sodium Hydro-Sulphite and Soda Ash and an Ammonium Chloride Plant.

29. We have been urging the Government of India at the highest level to clear a number of basic projects. Among these are the Stainless Steel Project to be started in the joint sector, a Seamless Steel Tube Plant at Arkonam and a sophisticated Electronics Plant with the collaboration of Philips. We hope that Government of India will give early decisions on these projects.

30. The Budget for 1970–71 also provides for expansion of the number of units at Ambattur and Guindy Industrial Estates. Another important scheme in the State Sector is the establishment of a "Zari" Unit at a cost of Rs 25 lakhs at Kancheepuram. Government will continue to actively assist the handloom sector through a scheme of rebates in sale of handloom cloth and we have made a provision of Rs 90 lakhs for this in the Budget Estimates, 1970–71.

Textile Industry.

31. As I have mentioned earlier the years from 1966 to 1968 witnessed a very sharp recession in the Indian economy. The immediate impact so far as Tamil Nadu was concerned was the closure of a number of textile mills. This resulted from the sharp reduction in the demand for yarn particularly from the northern States. The State Government undertook a series of measures to revive the closed textile mills. We guaranteed loans to the extent of Rs 2,22 lakhs to a number of sick mills to help them to re-open. We successfully persuaded the Finance Ministry of the Government of India to reduce the rather high excise duties levied earlier on yarn and cloth. On our part we allowed the sick

textile mills to retain fifty per cent of the sales tax on yarn as an interest free loan for five years, and further reduced electricity consumption tax from 40 to 30 per cent for all textile mills. We also set up the Tamil Nadu Textile Corporation which has taken over four mills. Thanks to the measures which the Government of Tamil Nadu initiated, 13 mills out of 27 sick mills have so far been re-opened. During the year we have reduced the number of unemployed textile workers substantially from the level at which it stood at the beginning of 1969.

32. Our textile mills have just been able to recover from the high level of taxation imposed on the textile industry by the Central Government. I hope that the recent renewal of restrictions on advances to textile mills against raw materials, which has been motivated by the desire to control prices does not in its turn accentuate the problem of working capital for the smaller textile units. Working capital for industry has to come only from the banking system, especially in the context of capital scarcity. The restrictions imposed by the Centre have led to a situation in which the mills may have to close down again, unless the State Government intervenes. I would therefore request the Government of India to earnestly consider whether the question of preventing speculation in these raw materials cannot be met atleast partially by authorising more liberal import of cotton and staple fibre. Through such adequate supplies of these raw materials the price of cloth for the common man can be stabilised.

33. The programme for building and strengthening the roads of the State has also gone on apace. The outlay on maintenance of roads has been stepped up from Rs 5,81 lakhs in 1966-67 to Rs 7,19 lakhs in Roads.

1970–71. Besides we have also rationalised the formula for the distribution of Local Roads Grants to various Panchayat Unions by giving weightage to the road mileage in each Union. We have proposed for the first time to extend assistance to municipalities for road works within their jurisdiction, and we have made a provision of Rs 10 lakhs for this purpose in the Budget Estimates, 1970–71. I would like to invite the attention of the Honourable Members to the increase in the outlay on roads from Rs 1,24 lakhs in 1966–67 to Rs 1,61 lakhs provided in Budget Estimates, 1970–71.

Social Services.

34. Notwithstanding the severe constraint on resources, we have provided for a substantial increase in the level of expenditure on social services during the last three years. The increase of expenditure on Education from Rs 43·86 crores in 1966–67 to Rs 66·83 crores in 1970–71 is eloquent testimony of this State's commitment towards this vital investment in its future generation. The Budget Estimates, 1970–71 provide for the employment of 2,720 teachers for the age-group 6—11, 1,930 teachers for the age-group 11—14 and 1,320 B.Ts. for the age-group 14—17, so as to cater to the additional enrolment in the various schools in the State. While we have provided adequately for expansion of educational facilities, we have at the same time laid emphasis on the maintenance of standards and qualitative improvements particularly in respect of programmes for the setting up of science laboratories in schools.

35. Public Health activities had, over the years, been subjected to severe restrictions because of considerations of finance. Within the limits of our resources, we have relaxed the restrictions and have opened 113 Primary Health Centres during the period

1967—70. Honourable Members may have noticed that next year's Budget provides for considerable expansion of medical facilities through the opening of new wards in various places like Palladam, Kallakurichi, Omalur, Panruti, Jalakandapuram, Pattukottai, Pannaikulam, Jallipatti, Mayuram, Kanyakumari, Watrap, Alangudi, Valavanur and Palani. We have also taken on construction of new buildings for the hospitals at Tiruvannamalai, Namakkal and Tiruvarur. Chest clinics will be opened at Erode and Villupuram while X-ray blocks will be set up at Athoor, Ariyalur and Sivaganga. A glaucoma unit will be set up at Madurai and two leprosy control units will be established in the State. We have also provided adequately for various improvements to the medical colleges in the State and a total outlay of Rs 35 lakhs has been earmarked for this purpose in the Budget Estimates, 1970–71.

Employees' State Insurance.

36. The Honourable Members will be aware that we have gone far in implementing the Employees' State Insurance Scheme for the benefit of our labour population. We have improved the medical facilities, provided larger in-patient facilities by increasing the bed strength and also extended the coverage by enrolling more and more labourers in the Scheme. But to our disappointment, the Employees' State Insurance Corporation has unilaterally imposed an artificial ceiling of Rs 50 per employee for sharing the expenditure. This would mean that even at the current level of expenditure, the State Government would have to shoulder an additional burden of nearly Rs 70 lakhs per annum on this account. This new restriction is against the spirit of the arrangement between the Corporation and the State Governments and we propose to take it up with the Government of India separately.

Welfare of Backward Classes.

37. The welfare of the vulnerable sections of society has continued to receive the special attention of Government. During the last three years, Government have stepped up outlays on welfare of Backward Classes from Rs 1,84 lakhs in 1966–67 to Rs 3,14 lakhs in 1969–70. The amount spent on scholarships distributed to Backward Classes has been increased from Rs 94 lakhs in 1966–67 to Rs 2,46 lakhs in 1969–70 and to Rs 2,60 lakhs in 1970–71. As the House is aware, in recognition of the need to formulate long-term programmes for the welfare of Backward Classes, a Backward Classes Commission has been appointed. The outlay on Harijan Welfare has also been increased from Rs 4,05 lakhs in 1966–67 to Rs 5,19 lakhs in 1970–71. I may also mention that during 1970–71 we propose to open 22 new Government hostels and will be taking over 20 subsidised hostels now being run by private agencies.

38. I would like to draw the attention of this House to an important consideration in this regard. It is sometimes argued that most of the outlay on Harijan Welfare comes from the Government of India and this Government is not contributing in any measure to these programmes. I would like to state categorically that during the current year against an outlay of Rs 1,43 lakhs on Harijan Welfare Scholarships, the earmarked assistance of Government of India is only Rs 5 lakhs. In 1970–71, against Rs 1,48 lakhs for Harijan Welfare scholarships, we may get assistance only of the same order as this year. Taking the Harijan Welfare programme as a whole, as against Rs 5,19 lakhs to be spent in 1969–70, Central assistance will be only Rs 25 lakhs while for the budgeted amount of Rs 5,39 lakhs for 1970–71,

assistance may not be appreciably higher than in the current year. Honourable Members will recognise that inspite of the fact that there has been considerable diminution in the earmarked assistance released by the Government of India for Harijan Welfare, the State has, in keeping with its declared social objective, continued to provide increasing outlays for these programmes.

39. We are launching a new programme for combating the lack of employment opportunities now being felt in rural areas through a special rural works programme for the construction of link roads, maternity centres, school buildings and the extension of water-supply. We have set apart a sum of Rs 1 crore for this purpose in the Budget for 1970–71. This sum will be used for contributions varying from 35 to 50 per cent towards the cost of various works depending on the circumstances obtaining in the area where the works are proposed to be taken up. The balance of expenditure on these works will be met by local contribution. Of the sum of Rs 1 crore Rs 25 lakhs will be set apart specifically for works to be fully financed by the Government in Harijan habitations. Government are aware that a phased programme should be undertaken to remove the social disabilities under which Harijans are now suffering. It has been decided by Government to draw up an integrated and timebound programme for providing link roads, protected water-supply and house-sites for Harijans throughout the State. If we take into account the outlays allocated for this in the regular Harijan Welfare and Rural Development Budget, we see that during 1970–71, inclusive of the sum of Rs 25 lakhs, a total expenditure of over Rs 100 lakhs will be incurred on these programmes. We propose to accelerate this programme further so that within

Special Programme for combating rural unemployment.

the next five years link roads and protected water-supply will be provided for all Harijan habitations within the State.

Slums.

40. Another problem which has been engaging the attention of the Government is the problem of slums in Madras City. It has been estimated that nearly one-fourth of the population of Madras live in such slums. During the period 1967 to 1970, 5,828 tenements have been built as against 2,302 during all the three previous plan periods. We have also embarked upon a programme of construction of fire-proof huts and 3,895 houses have been built so far. Even so, we find that we have so far touched only the fringe of the problem. It is necessary for us to take bold steps to check the frightening growth of slums in the City. In this view, we have taken a policy decision to embark upon a phased programme to eliminate the slums in the City of Madras within the next seven years. We have made a provision of Rs 1 crore during 1970–71 for slum clearance and in order that maximum advantage be derived from the investments we would be making in this field, it will be necessary for us to reorient the various programmes. Our emphasis will be not only on assuring better living conditions to the slum dwellers of to-day, but also to prevent the growth of new slums in the City.

Metropolitan Development.

41. It is therefore not possible to approach the problem of slums without taking into account the overall problems of metropolitan development. A project report on the problems of the metropolitan area is now under finalisation for submission to international financing institutions. Prominent among the methods considered are the development of sattelite towns at Tiruvellore, Chingleput and Gummidipundi

and also development of growth centres such as Ennore, Arkonam, Avadi, Alandur, Pallavaram, Poonamallee, Tambaram and the like. We expect to have the project report ready during the coming few months. We are also hopeful of using with advantage the Revolving Fund of Rs 20 to 40 crores that is being set apart for housing. We hope that this will enable us to launch a systematic attack on the problem of land development and housing in the city of Madras. I may also mention that the Madras Corporation has been able to secure assistance to the tune of Rs 3 crores from the Life Insurance Corporation in the current year. The same level of assistance can be expected next year also. With the help of this, it will be possible for the Corporation to considerably step up outlays on capital programmes.

Water-Supply and Drainage.

42. We have accorded the highest priority to the extension of protected water-supply to various parts of the State. As Honourable Members are aware we have made a start on the Veeranam Scheme and we have made a sizeable provision of Rs 7,34 lakhs for this scheme, in the Budget for 1970–71. We also hope that as a result of the amicable settlement on the sharing of waters with Kerala we would be in a position to initiate action on the Siruvani Water Supply Scheme which will entail an outlay of about Rs 5,00 lakhs and will provide water not only for Coimbatore, but also for nine way-side villages and large number of villages in the periphery of Coimbatore town. We have been able to step up substantially the outlays on urban water supply and drainage schemes with the help of assistance from the Life Insurance Corporation. As against an annual outlay of Rs 2,14 lakhs in 1966–67, the current year's effective outlay stands at Rs 3,62 lakhs. Of this, a sum of Rs 1,92 lakhs is being made available by the

Life Insurance Corporation. We have so far been able to secure finance from the Life Insurance Corporation for a total programme of Rs 14 crores for water-supply and drainage schemes in municipalities and panchayats. We have in the Budget for 1970–71 provided a total outlay of Rs 3,96 lakhs for such schemes and we expect to be able to push up the outlay even further with the help of assistance from the Life Insurance Corporation, for several more schemes which we would be forwarding to them shortly. Under Rural Water Supply as well we have stepped up outlays from Rs 74 lakhs in 1966–67 to Rs 1,40 lakhs in the current year. An important decision taken by us is the setting up of a Water-Supply and Drainage Board to co-ordinate various activities in the sphere of water-supply and drainage. This Board which will be placed on a statutory footing soon would be able to raise more resources and generally step up the level of activity so as to achieve our goal of giving adequate water-supply to every village on the basis of a phased programme.

Broad features of Annual Plan 1970–71.

43. I would like to appraise the House of some of the important features of the Annual Plan 1970–71. The Plan as emerging from the Budget Estimates provides for a total outlay of Rs 106·25 crores. Of this, Rs 43·53 crores has been earmarked for power schemes, inclusive of Rs 21·5 crores for rural electrification programmes. In the Plan, agriculture and allied programmes absorb Rs 12·19 crores while industrial programmes have been allotted a sum of Rs 7·62 crores. The Plan also provides Rs 2·29 crores for community development programmes and a sum of Rs 7·38 crores for education. The outlay for medical and public health schemes in the plan has been fixed at Rs 2;43 crores. Special mention should be made of the large outlay of Rs 11·16 crores earmarkde

for water-supply and drainage schemes including Veeranam Scheme. While assessing the outlays we should also bear in mind the fact that on the non-Plan side we have provided large amounts for committed expenditure on schemes initiated in the previous plan periods. For the Plan outlay of Rs 106·25 crores, the Central assistance so far offered is only Rs 36·6 crores. This is patently low and it is hoped that the Government of India would take a more realistic view of our needs. On this basis we have taken credit for a Central assistance of Rs 45 crores in the Budget. Under the open market loan we expect to be able to raise Rs 23 crores while the balance of plan outlay will have to be financed by the contribution of Tamil Nadu Electricity Board, resources raised from financial institutions and State's own resources. I would like to draw the attention of the House to the fact that even though the budget reflects a plan of Rs 106·25 crores, the actual outlay on various development schemes will be larger to the extent institutional finance supplements our provisions.

Budgetary Position : Revised Estimate, 1969–70.

44. In the budget speech for 1969–70, I had estimated that the expenditure in the current year on Revenue account would be Rs 285·37 crores and the receipts Rs 268·66 crores, leaving a large revenue deficit of Rs 16·71 crores. Honourable Members will recall that I had indicated then that though the revenue deficit may look alarmingly large, this was entirely due to the non-Plan commitment which we expected the Fifth Finance Commission to take note of in its final award. Unfortunately, as the House is aware, the Commission's verdict has been adverse, and the Revised Estimates presented before you reflect a revenue deficit of Rs 16·64 crores, which is only marginally lower than the figures presented in last year's budget.

Budget Estimates 1970–71.

45. So far as the budgetary prospects for the next year are concerned, the estimates presented before this House place the revenue receipts at current levels of taxation at Rs 288·04 crores. The expenditure on Revenue account is Rs 296·98 crores. The deficit on Revenue account is thus Rs 8·94 crores. We have assumed that the Centre would take a realistic view on Central assistance and provide atleast Rs 45 crores in 1970–71 and also agree to reschedule debts due from us so as to give relief of atleast Rs 7 crores. Even so, taking into consideration all accounts, the budget for 1970–71 reveals on overall gap of Rs 6 crores. This gap is a reflection of the heightened tempo of development and the large number of new schemes taken on by the State to which I have already made reference. It is inevitable that we have to make every effort to bridge this gap through additional mobilisation of resources for which I shall now place proposals before this House.

Resource Mobilisation Measures.

46. The first proposal which I would like to place before the House relates to certain adjustments in the rates of Sales Tax on Single point commodities. Honourable Members will recall that the rates of sales tax on the "luxury goods" such as motor vehicles, refrigerators, typewriters, clocks, watches, wireless sets, cinematograph and photographic equipment, gramaphones, etc. listed as items 1 to 14 in the First Schedule of the Tamil Nadu General Sales Tax Act of 1959 was raised from 11 per cent to 12 per cent in June 1967. We have now decided to raise the rates further to 15 per cent. We expect the additional revenue derived from this measure to be of the order of Rs 1·3 crores. Among the other single point goods, we have decided to enhance the rates of tax on cement from 6 per cent to 8 per cent while on electrical goods,

precious stones, foamed rubber sheets, scents and perfumes, tractors and bulldozers the rates will be raised from the existing rate of 7 per cent to 9 per cent. There will be no enhancement in respect of articles used by the common man like tea, coffee, kerosene, soap, milk powder, etc. The rate for fertilisers and pesticides too will remain unchanged. This measure is likely to yield about Rs 1·0 crore. Honourable Members will notice that we have taken special care to see that no additional burdens are placed on the common man and that these levies fall on those who can well afford to pay.

47. Another proposal which I place before the House relates to the introduction of an additional levy on assessees with annual turnover exceeding Rs 5 lakhs. This levy will be in the form of a surcharge at $7\frac{1}{2}$ per cent on the sales tax assessed for the dealer each year from the assessment year 1969–70 onwards. A surcharge of $7\frac{1}{2}$ per cent will be levied on dealers covered by the Tamil Nadu Sale of Motor Spirits Taxation Act also. No dealer shall be entitled to collect the surcharge from the consumers. The additional yield anticipated from this measure is of the order of Rs 1·1 crores.

48. The next proposal relates to adjustments in the rates of motor vehicles tax on stage carriages under the Motor Vehicles Taxation Act. At present, mofussil route buses covering a daily route mileage of 270 kilometres and below are liable to tax at Rs 50 per seat per quarter, while those covering more than 270 kilometres are charged at Rs 55 per seat per quarter. We propose to enhance the rate by Rs 10 per seat per quarter in the case of each of these categories. As town services are generally not as remunerative as mofussil services, we do not propose

to enhance the rates of tax for these services. This measure is likely to yield about Rs 1·6 crores. I may assure the House that the proposed increase will not lead to any enhancement in fares.

49. We also propose to raise the rates of tax on petrol, aviation fuel and other motor spirits excluding diesel by 2 paise per litre. We have refrained from increasing the levies on diesel in view of the additional burden that such a step would place on the bus and lorry operators and agriculturists in the State. This measure is likely to yield about Rs 50 lakhs.

50. The last proposal which I wish to place before this House for its consideration relates to the enhancement of show tax levied on cinema theatres. The rates as at present and the rates as we seek to revise them are shown below :—

Location.	*Existing rate of tax.*	*Rate of tax as now proposed.*
	(PER SHOW.)	
	RS	RS
1. Exhibitions held in the City of Madras.	2·50	5·00
2. Exhibitions held in municipalities specifically notified.	2·00	4·00
3. Exhibitions held in other municipalities.	1·50	3·00
4. Exhibitions held elsewhere.	1·00	2·00

This measure is expected to bring in an additional receipt of Rs 14 lakhs under the Tamil Nadu Entertainment Tax Act and Rs 36 lakhs under the Tamil Nadu Local Authorities Finance Act,

51. As the House is aware, despite our serious difficulties on the financial front, we have conferred considerable benefits on our employees during the last three years. We have appointed a Pay Commission to look into the question of emoluments of Government servants, employees of local bodies and teachers. As I had stated earlier, we are at a serious handicap, because the Finance Commission has not taken into account the likely impact of the recommendations of the Pay Commission. Even so, taking into consideration the present cost of living, Government have decided to give a Special Compensatory Allowance of Rs 10 per mensem to all employees drawing a pay upto Rs 500 per mensem from the salary for March 1970, payable in April. The cost of implementing this decision is reckoned at roughly Rs 6 crores per year over what has been provided in the budget. This will correspondingly worsen the revenue deficit indicated by me earlier and as presented in the Budget. We propose to move the Government of India to release *ad hoc* assistance to cover the commitment arising as a result of this. We have also decided that dearness allowance upto the level obtaining in December 1966 shall be reckoned as pay for purposes of pension and gratuity while computing pension. This will apply to all Government servants who retire as from 26th February 1970. Benefits to Employees.

52. Honourable Members are aware that Government are keen on the welfare of teachers. Government have set up a Committee to look into the service conditions of the teachers in the various schools in the State and the report of this Committee is expected shortly. Meanwhile, we have decided to announce certain concessions to teachers in aided schools. We have decided to allow teachers in aided

schools and their families free medical assistance in Government Hospitals and Dispensaries. We have also decided to allow House Rent Allowance to Aided school teachers in the State at the same rates as applicable to teachers woking in local body schools. This will cost the Government Rs 35 lakhs per annum. Other concessions which Government have decided will now be briefly mentioned. Teachers of aided schools under private management will be granted Festival Advances and assistance towards purchase of handloom cloth. For this purpose, they will be permitted to draw monies from their provident fund accumulations, subject to certain limits. Aided school teachers in notified hill areas will be granted winter allowance for a period of four months. Marriage loans not exceeding Rs 500 will be given to eligible teachers of all Aided schools.

53. As the House is aware, Government have had under consideration various ways and means of improving village administration. In recognition of the important role of the village officers in the revenue administration, Government have in mind the question of issuing rules creating a new service of village officers. I may assure the House that although the principle of hereditary succession has been eliminated by repeal of the Village Officers' Act, 1893 and 1894, Government propose to preserve the basic structure of the revenue establishment. The question of pay structure, service rules and other incidental matters relating to the village establishment have been referred for the first time to the Pay Commission now in session. In addition to this, Government have decided that village officers be paid reasonable compensation for their incidental expenses connected with their travel for their work. Keeping this in view, Government propose

to provide Rs 20 lakhs in 1970-71. It is the intention of Government that a lumpsum allowance should be paid. Details of this are being worked out. Government have also decided that festival advance should be granted to village officers as in the case of other Government servants. The phased abolition of Jamabandhi also will be welcomed by all village officers.

54. Government have been examining the requests made on behalf of pensioners. In view of the present financial difficulties, Government feel that the utmost they can do at present is to increase the minimum pension payable to retired employees of Government from Rs 20 per mensem to Rs 30 per mensem with effect from the pension of March 1970 payable in April 1970. Another liberalisation which the Government have decided to announce is in the formula for computation of pension. Hitherto, pension was being calculated on the basis of the average pay drawn by an employee during the last thirtysix months of his service. We have decided that henceforth it will be based on the pay drawn during the last twelve months of service before retirement. This will apply forthwith.

55. I am sure that all sections of this House would welcome the various benefits I have listed above which we propose to extend to our employees, local body employees and teachers.

Lowering of Land Ceiling.

56. I now turn to an important announcement of socio-economic policy. May I recall to this House the statement presented to the people of the State on the eve of the last general elections by the ruling party, the Dravida Munnetra Kazhagam, to which I have the proud privilege to belong. Based on the important suggestions of policy we had outlined in the election manifesto, this Government have implemented to the

utmost extent possible many decisions of socio-economic and administrative significance. Today we are in the process of implementing some of the remaining suggestions, keeping in view the prevailing economic and social situation. As the House is aware, Government have taken already various steps, which I have earlier outlined, towards stimulating agricultural production. Government recognise that if agricultural production is to increase, there should be basic structural changes in land tenure and in land ownership. From time to time, Government have taken decisions to improve the security of the actual tiller of the soil and to grant basic minimum wages to landless labourers. A comprehensive land legislation is under finalisation with a view to helping tenants, small land owners and agricultural labourers. Keeping in view the longstanding pledge of this Government, I am happy to announce that Government have decided to amend the Tamil Nadu Land Ceiling Act, 1961, lowering the ceiling limit from 30 standard acres to 15 standard acres. This measure will be implemented through the comprehensive land legislation which I have mentioned above. I hope this bold decision will be welcomed by all sections of the people.

With these words, Sir, I commend the Budget for 1970–71 for the acceptance of this House.

MADRAS,
26th February 1970.

K. A. MATHIALAGAN,
Minister for Finance.